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HIGHER EDUCATION SECTOR: 2003 INDUSTRY OUTLOOK

Split Outlook Reflects Varying Risks In Current Economic Climate

Outlook Is Stable For Public Universities And Wealthy Selective Private Universities, But Negative For Thinly Endowed Regional Private Institutions

Summary Opinion

The higher education sector faces a number of serious challenges during 2003. The protracted period of stock market declines that began in 2000 has led to losses in investment values and fundraising proceeds, and has contributed to a constrained ability of families to afford high tuitions of private universities. Colleges face pressure to increase operating expenses for salary and benefits, and also to invest in campus facilities, often by taking on additional debt. For public universities, state government budget deficits are leading to cuts in operating and capital appropriations, at the same time that burgeoning enrollments in many parts of the country are pressuring operating and capital costs.

In spite of these pressures, the higher education industry as a whole possesses many fundamental strengths. Most colleges have doubled their endowments over the past 10 years, despite the declines in 2001 and 2002. The number of graduating high school seniors continues to increase in most of the U.S., and the economic value of a college education remains strong. Federal support for research funding and financial aid continues. Also, some colleges are enjoying an upswing in philanthropy despite national trends. Finally, public universities have many resources at their disposal to absorb cuts in state appropriations, including significant untapped tuition pricing power.

Market Segment	Moody's Outlook
Private Colleges and Universities	
Wealthier, More Selective Institutions (A3 and higher)	Stable
Thinly-Endowed Less Selective Institutions (Baa1 and lower)	Negative
Public Universities	Stable



Appendix 4: Moody's Public College And University Ratings - By Rating Category

Long-term ratings based on institution's own credit quality. For institutions that have different bond securities with different ratings, these ratings represent the highest rating on the institution's various debt securities.

Institution Name	State	Institution Name	State
Aaa			
University of Michigan	Michigan	Florida State University	Florida
University of Texas System	Texas	Kansas State University	Kansas
University of Virginia	Virginia	Marshall University	West Virginia
Aa1			
Purdue University	Indiana	Morgan State University	Maryland
Texas A&M University System	Texas	New Mexico State University	New Mexico
University of North Carolina-Chapel Hill	North Carolina	North Dakota State University	North Dakota
Georgia Institute of Technology Foundation	Georgia	Ohio University	Ohio
Aa2			
Board of Regents of the University System of Georgia	Georgia	Oklahoma State University	Oklahoma
Indiana University	Indiana	Rowan University of New Jersey	New Jersey
Michigan State University	Michigan	Southern Illinois University	Illinois
Ohio State University	Ohio	State System of Higher Education, PA	Pennsylvania
Pennsylvania State University	Pennsylvania	State University of New York	New York
State University System of Florida	Florida	Texas Tech University	Texas
University of California	California	Truman State University	Missouri
University of Minnesota	Minnesota	University & Community College System of Nevada	Nevada
University of Missouri System	Missouri	University of Alabama-Birmingham	Alabama
University of Nebraska	Nebraska	University of Alabama-Tuscaloosa	Alabama
University of Pittsburgh	Pennsylvania	University of Alaska	Alaska
University of Washington	Washington	University of Arizona	Arizona
Aa3			
Auburn University	Alabama	University of Arkansas - System	Arkansas
California State University System	California	University of Florida	Florida
Iowa State University of Science and Technology	Iowa	University of Hawaii	Hawaii
Minnesota State University System	Minnesota	University of Idaho	Idaho
North Carolina State University	North Carolina	University of Louisville	Kentucky
Rutgers, The State University of New Jersey	New Jersey	University of North Carolina-Greensboro	North Carolina
State University of Iowa	Iowa	University of North Dakota	North Dakota
Tennessee State School Bond Authority	Tennessee	University of North Texas	Texas
Texas State University System	Texas	University of Oklahoma	Oklahoma
University of Cincinnati	Ohio	University of Oklahoma Health Sciences Center	Oklahoma
University of Colorado	Colorado	University of Rhode Island	Rhode Island
University of Connecticut	Connecticut	University of South Florida	Florida
University of Houston System	Texas	University of Vermont	Vermont
University of Illinois	Illinois	University System of New Hampshire	New Hampshire
University of Kansas	Kansas	University System of West Virginia	West Virginia
University of Kentucky	Kentucky	Virginia Commonwealth University	Virginia
University of Maryland System	Maryland	Virginia Polytechnic Institute	Virginia
University of New Mexico	New Mexico	West Virginia University	West Virginia
University of South Carolina	South Carolina	A2	
University of Utah	Utah	Appalachian State University	North Carolina
Washington State University	Washington	Bowling Green State University	Ohio
A1			
Arizona State University	Arizona	Central Washington University	Washington
Ball State University	Indiana	Citadel, the Military College of South Carolina	South Carolina
Boise State University	Idaho	College of Charleston	South Carolina
Central Michigan University	Michigan	East Carolina University	North Carolina
Clemson University	South Carolina	Eastern Michigan University	Michigan
Colorado State University	Colorado	Eastern Washington University	Washington
Florida Atlantic University	Florida	Fairmont State College	West Virginia
Florida International University	Florida	Ferris State University	Michigan
		Idaho State University	Idaho
		Indiana State University	Indiana
		Kean University	New Jersey
		Midwestern State University	Texas
		Mississippi Institutions of Higher Learning	Mississippi
		Montclair State College	New Jersey
		Morehead State University	Kentucky
		New Jersey Institute of Technology	New Jersey
		Northern Arizona University	Arizona

Appendix 3: Moody's Public College And University Ratings - By State

Institution Name	Rating	Institution Name	Rating
Nebraska		Pennsylvania	
University of Nebraska	Aa2	Pennsylvania State University	Aa2
Nevada		State System of Higher Education, PA	A1
University & Community College System of Nevada	A1	Temple University	A2
New Hampshire		University of Pittsburgh	Aa2
University System of New Hampshire	A1	Puerto Rico	
New Jersey		University of Puerto Rico	A3
College of New Jersey	A3	Rhode Island	
Kean University	A2	University of Rhode Island	A1
Montclair State College	A2	South Carolina	
New Jersey City University	A3	Citadel, the Military College of South Carolina	A2
New Jersey Institute of Technology	A2	Clemson University	A1
Ramapo College	A3	Coastal Carolina University	A3
Richard Stockton State College	A2	College of Charleston	A2
Rowan University of New Jersey	A1	Francis Marion University	A3
Rutgers, The State University of New Jersey	Aa3	Medical University of South Carolina	Baa1
University of Medicine and Dentistry of New Jersey	A3	University of South Carolina	Aa3
William Paterson University	A2	Tennessee	
New Mexico		Tennessee State School Bond Authority	Aa3
Eastern New Mexico University	A3	Texas	
New Mexico State University	A1	Midwestern State University	A2
University of New Mexico	Aa3	Southwest Texas State University	A2
Western New Mexico University	Baa2	Stephen F. Austin State University	A2
New York		Texas A&M University System	Aa1
State University of New York	A1	Texas Southern University	Baa1
North Carolina		Texas State University System	Aa3
Appalachian State University	A2	Texas Tech University	A1
East Carolina University	A2	Texas Woman's University	A2
Elizabeth City State University	Baa1	University of Houston System	Aa3
Fayetteville State University	Baa3	University of North Texas	A1
North Carolina Central University	A3	University of Texas System	Aaa
North Carolina State University	Aa3	Utah	
University of North Carolina-Asheville	A3	University of Utah	Aa3
University of North Carolina-Chapel Hill	Aa1	Utah Valley State College	Baa1
University of North Carolina-Charlotte	A2	Vermont	
University of North Carolina-Greensboro	A1	University of Vermont	A1
University of North Carolina-Wilmington	A2	Virginia	
Western Carolina University	A2	George Mason University	A3
North Dakota		University of Virginia	Aaa
North Dakota State University	A1	Virginia Commonwealth University	A1
University of North Dakota	A1	Virginia Polytechnic Institute	A1
Ohio		Washington	
Bowling Green State University	A2	Central Washington University	A2
Ohio State University	Aa2	Eastern Washington University	A2
Ohio University	A1	University of Washington	Aa2
University of Akron	A2	Washington State University	Aa3
University of Cincinnati	Aa3	Western Washington University	A2
University of Toledo	A2	West Virginia	
Youngstown State University	A3	Fairmont State College	A2
Oklahoma		Marshall University	A1
Oklahoma Panhandle State University	Baa1	Shepherd College	A3
Oklahoma State University	A1	State College System of West Virginia	A2
University of Central Oklahoma	A2	University System of West Virginia	A1
University of Oklahoma	A1	West Virginia State College	A3
University of Oklahoma Health Sciences Center	A1	West Virginia University	A1
University of Science & Arts of Oklahoma	A3		